

## FACSIMILE TRANSMITTAL SHEET

TO	Ms Pat Brooks	FROM	Herman Caldwell
COMPANY	US GSA	DATE	August 4, 2008
FAX NUMBER	703-605-3454	TOTAL NO OF PAGES INCLUDING COVER	6
PHONE NUMBER	703-605-3406	SENDER'S REFERENCE NUMBER	
RE	Panel Presentation	YOUR REFERENCE NUMBER	

☐ URGENT ☐ FOR REVIEW ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

## NOTES/COMMENTS

If there are questions, my  
cell phone is 301-830-0621

Jax didn't work,  
my JELEx

## DISCLAIMER

While, at the time this document was prepared, I was a Government employee and an employee of the U S General Services Administration, it is not in this capacity that these comments are presented but in my individual capacity as a taxpayer who is interested on how public funds are expended

### MAS Advisory Panel Presentation

In March 2003 a GSA contracting officer found an item in the GSA Advantage database at three different prices \$583 00, \$1,035 44 and \$6,249 99 (see attachment 1)

The contracting officer found this vast disparity because a vendor proposed to add the product to their MAS contract at a price only a little above \$6,249 99

Would that price have been reasonable?

If the high price is not reasonable, does it follow that either of the two other prices is reasonable?

*How can that be?*

Following this part number discovery, I asked for weekly database downloads by manufacturers' part number so that we could detect and eliminate those kinds of pricing anomalies

To date no such action has been taken

*How can that be?*

Buried on page 67 of GSA's 2007 Annual Performance and Accountability Report is the startling admission that an agency was able to get a discount of "90 percent off GSA Schedule prices "

The Federal Acquisition Regulation asserts in 8 404(d) that "GSA has already determined the prices of supplies and fixed-price services, and rates for services offered at hourly rates, under schedule contracts to be fair and reasonable" [emphasis added]

If GSA has determined the price to be reasonable, how is it possible for an agency to get an additional 90 percent discount?

Are the customers who order at GSA Schedule prices overpaying by 900 percent?

*How can that be?*

It seems to me that the 800-pound gorilla that no one wants to talk about is that we are industrially funded

Historically before IFF started in 1996, the annual MAS sales were flat, ranging between four and five billion dollars (see GAO-05-229 page 6 at attachment 2 below)

Page 1 of 5  
Caldwell

Once FSS became industrially funded, it became necessary to partner with industry, absorb some of our industry partners' costs like marketing, ignore audits and award MAS contracts at the highest prices that we can possibly support

The expenditures of taxpayer dollars for MAS contracts took off at about a sixty degree angle zooming to \$32,000,000,000 in 2004

The fact that we are industrially funded put FSS and now puts FAS in an unavoidable conflict of interest situation

The primary metric is the comparison of the costs of operations with the operating funds that are provided by the Industrial Funding Fee (IFF)

In order to be perceived as successful, the operating costs must decrease or the sales that generate the IFF operating funds must increase

These measures of success drive the organization to reduce costs by churning personnel in never-ending reorganizations and awarding contracts at the highest supportable prices

The consequences of FSS's Office and Scientific Center (the old FCG) failing to spend more taxpayer money and increase revenue was that the center was dissolved and the people and programs were reassigned

Was anyone ever properly recognized and commended when the FSC 70 contracts filled all FSC 70 requirements at a lower cost to the taxpayer?

Since we don't collect data on how many boxes of FSC 70 product or how many hours of FSC 70 services are performed, I submit that this is a fair construction of available data

If FSS was "on the take" from our contractors, it was O K because we were "on the take" by act of Congress

Is this a problem? I think that it is

Can GSA fix the problem? No

Congress created this mess by abdicating its budgetary responsibility and Congress has to fix the mess

Can GSA mitigate the problem? Partially

This is an organizational conflict of interests issue

We need separation between our MAS negotiators and our budget shop, the same kind of separation that we would insist that a contractor provide

We should be flagging this problem in our vulnerability assessments so that a long-term fix will actually happen

Congress needs to reassert its budgetary authority and fund us

This is an election year, it shouldn't play well in Peoria and we may get lucky

In the mean time, we need to keep the price reduction clause and stop punishing contracting officers for negotiating low prices

What metrics are appropriate?

It is not feasible for GSA to collect data on how many boxes of products or how many hours of services are represented by the sales dollars

Prior to IFF, success was measured by savings from retail

That metric should be added to those currently used

If sales are growing but savings are growing faster, it would be a good thing

If sales decline and savings are growing, it would be a great thing

If the metrics shows that GSA's reduction in sales revenue is based on increased taxpayer savings, the Congress should cheerfully bail out any operating losses because the taxpayers have benefited

On July 9, 2008 Administrator Bibb released a message to all GSA Employees "Highlighting GSA's Achievements "

The first three trends listed ("Gross revenues are up Business with the Department of Defense is up Our flagship Multiple Award Schedules are up ") all involve costing the taxpayer more money

It is a sad day when GSA touts costing the taxpayer more money

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Herman S Caldwell, Jr

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.. Working for the US Government

Thursday March 27, 2003

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☐ New Search

☐ Search Within Results

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[Search Tips](#)

[Refine Search Options](#)

Items 1-3 of 3

☐ Volume discount

Sort By Most Relevant

**Go!**

NSN/Mfr. Part No.	Product	Price / Delivery
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KTH-ZX2000/2G

**2GB kit W/S Memory**

**\$583.00 EA**

2GB kit W/S Memory [[More product details](#)]

30 Days

[Additional Sources](#)

Manufacturer **KINGSTON TECHNOLOGY COMPANY**

Contractor **ComarkG dba Insight Public Sector**

[GS-35F-4044D] (b.s)

KTH-ZX2000/2G

**2GB KIT 266 MHZ**

**\$1,035.44 EA**

2GB KIT 266 MHZ [[More product details](#)]

7 Days

[Additional Sources](#)

Manufacturer **KINGSTON TECHNOLOGIES**

Contractor **SPARCO COM**

[GS-35F-0218M] (b.s)

KTH-ZX2000/2G

**2GB KIT 266 MHZ**

**\$6,249.99 EA**

2GB KIT 266 MHZ [[More product details](#)]

7 Days

[Additional Sources](#)

Manufacturer **KINGSTON**

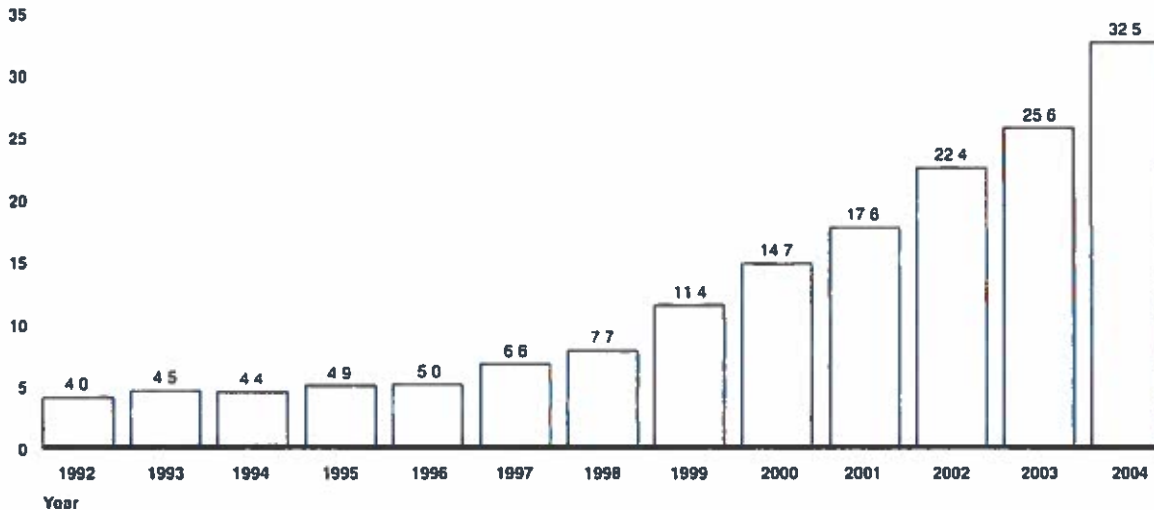
Contractor **MICRO WAREHOUSE, INC.**

[GS-35F-4189D] (b.o)

*Nancy,  
Is there any chance  
of getting a periodic  
report from Advantage?  
various such as  
the above?  
Dennis*

**Figure 1 MAS Sales, Fiscal Years 1992 through 2004**

Dollars in billions



Source: GSA data

Note: MAS sales amounts include single award sales for each year of less than \$1 million

In fiscal year 2004, the Information Technology Acquisition Center had the largest MAS sales volume with more than \$18 billion (about 56 percent) of total MAS sales. Figure 2 shows the MAS sales for fiscal year 2004 by GSA acquisition center. (See app. II for a description of the products and services offered through each of the acquisition centers.)



"Herman Caldwell"  
<hsc3@yahoo.com>  
08/04/2008 03:46 PM

To: Pat Brooks@gsa.gov  
cc: "herman" <herman.caldwell@gsa.gov>  
bcc:  
Subject: Panel Submission

Pat,

Attached is the text submittal in Word format and the two attachments in pdf format.

I am working on a PowerPoint for presentation to the Panel.

I will stop by Kinkos and fax the text to you later today.

Thanks

Herman



MAS Panel Statement 2008 07 07.doc Attachment 1 Pricing Disparity Example.pdf Attachment 2 MAS Sales 1992-2004.pdf

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contains 0 items/\$0.00**GSA Advantage!**

...Working for the U.S. Government

Thursday March 27, 2003

Your search on 'kth-zx2000/2g' produced 3 results

Search:

New Search

Search Within Results

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Items 1-3 of 3

Volume  
discount

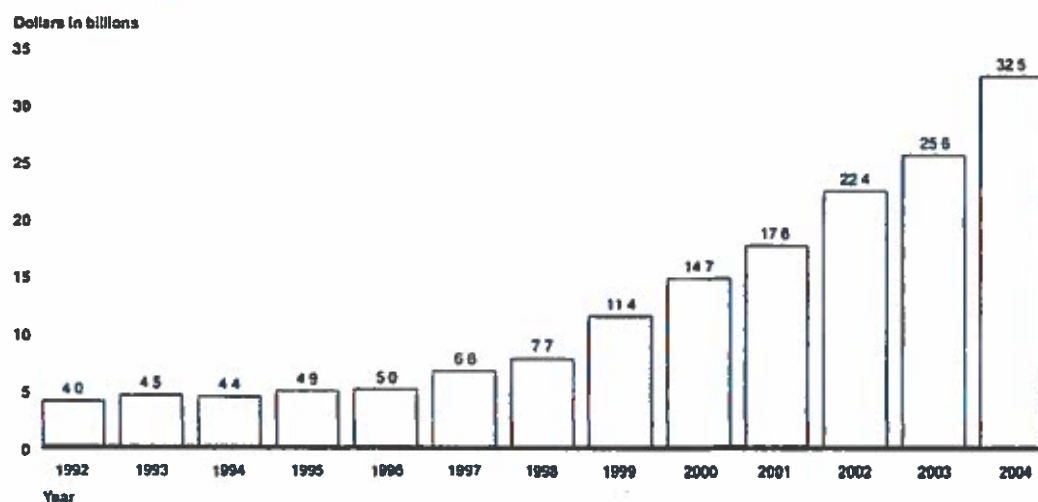
Sort By. Most Relevant

Go!

NSN/Mfr. Part No	Product	Price / Delivery
<u>KTH-ZX2000/2G</u>	<b>2GB kit W/S Memory</b>	<b>\$583.00 EA</b>
2GB kit W/S Memory [ <a href="#">More product details.</a> ]		30 Days <a href="#">Additional Sources</a>
	Manufacturer KINGSTON TECHNOLOGY COMPANY	
	Contractor <u>ComarkG dba Insight Public Sector</u>	
	[GS-35F-4044D] (b.s)	
<hr/>		
<u>KTH-ZX2000/2G</u>	<b>2GB KIT 266 MHZ</b>	<b>\$1,035.44 EA</b>
2GB KIT 266 MHZ [ <a href="#">More product details.</a> ]		7 Days <a href="#">Additional Sources</a>
	Manufacturer KINGSTON TECHNOLOGIES	
	Contractor <u>SPARCO.COM</u>	
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<hr/>		
<u>KTH-ZX2000/2G</u>	<b>2GB KIT 266 MHZ</b>	<b>\$6,249.99 EA</b>
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	[GS-35F-4189D] (b.g)	

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listing various sources  
The above?  
Dennis

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